

Message Text

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FM SECSTATE WASHDC

TO CHUSMTM DHAHRAN

S E C R E T STATE 139971

EXDIS - MILITARY ADDRESSEE HANDLE AS SPECAT EXCLUSIVE

FOLLOWING MESSAGE SENT ACTION SECSTATE WASHDC INFO AMCONSUL
DHAHRAN FROM AMEMBASSY JIDDA 15 JUN 75:

QUOTE S E C R E T JIDDA 4297

EXDIS

DEPT: PASS DOD AND CHUSMTM DHAHRAN

E.O.: 11652: GDS

TAGS: PINT, MASS, SA

SUBJ: NORTHROP'S AGENT'S FEES

REF : A. JIDDA 4206; B. STATE 17147; C. STATE 18345;

D. STATE 135889

1. DURING AMBASSADOR'S CALL ON MINISTER OF STATE FOR
FOREIGN AFFAIRS PRINCE SAUD BIN FAISAL JUNE 14, PRINCE
RAISED QUESTION OF NORTHROP'S AGENT'S FEES. AMBASSADOR
INFORMED PRINCE THAT HE GRATIFIED THAT PUBLICITY OVER
AGENT'S FEES TO SAUDIARABIA SEEMED TO BE DIMINISHING,
AND HE HOPED THAT PRINCE SULTAN'S LETTER WOULD MAKE SAG'S
POSTURE CLEAR TO ALL. SAUD ASKED HOW SOON WOULD USG BE
FORTHCOMING AS TO A STATEMENT ON THE CONDUCT OF FMS

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CASES.

2. THE AMBASSADOR REPLIED THAT WITH THE ISSUE SUBSID-
ING, WE HAD NOT WANTED TO STIR MATTERS UP AGAIN WITH A
PUBLIC STATEMENT ADDRESSED SOLELY AND SPECIFICALLY TO
OUR FMS SALES TO SAUDI ARABIA. THE ISSUE WAS FOR THE USG
OF COURSE A MUCH BROADER ONE, INVOLVING MANY COUNTRIES,
AND WE PLAN SOON TO ADDRESS THE PROBLEM OF FMS CASES IN
TESTIMONY BEFORE CONGRESS. WE BELIEVED THIS SHOULD SAT-
ISFY THE SAG'S REQUIREMENTS.

3. THE AMBASSADOR THEN TOLD SAUD HE WOULD BE SEEING
PRINCE SULTAN ON SUNDAY, JUNE 15, AND AT THAT TIME WOULD
INFORM HIM (PER REFS C AND D) THAT WE PROPOSED TO PRO-
HIBIT IN THE FUTURE ALL COMMISSIONS IN FMS CASES UNLESS
THEY WERE REASONABLE, SPECIFIC AND APPROVED BY THE SAG
IN ADVANCE. PRINCE SAUD TOOK STRONG EXCEPTION TO THIS
AND SAID AMBASSADOR SHOULD TAKE SULTAN'S WORDS AS THE
SAG'S FORMAL AND FINAL REPLY. THERE SHOULD BE NO RPT NO
AGENT'S COMMISSIONS IN THE FUTURE REGARDING FMS SALES
CASES. HE ADVISED THE AMBASSADOR THAT TO PURSUE THE MATTER
FURTHER WOULD IRRITATE AND ANGER PRINCE SULTAN. THE SAUDI
LEGAL ADVISORS COULD NOT SEE WHY FROM A LEGAL POINT OF
VIEW IT WOULD NOT BE POSSIBLE FOR U.S. CONTRACTING
PROCEDURES TO COME UP WITH AN FMS CASE THAT WAS DEVOID
OF ANY AGENT'S COMMISSIONS.

4. COMMENT: PRINCE SAUD WAS QUITE EMPHATIC IN HIS PRE-
SENTATION AND AMBASSADOR ACCORDINGLY DOES NOT PLAY TO
RAISE AGAIN THE QUESTION OF AGENT'S COMMISSIONS WITH
PRINCE SULTAN ON JUNE 15. IN FUTURE FMS CASES, IF THERE
ARE ANY UNAVOIDABLE EXPENSES THAT HAD IN THE PAST BEEN
BUNCHED AS "AGENT'S FES OR COMMISSIONS" (ALTHOUGH TO
THE BEST OF OUR KNOWLEDGE NO SUCH SPECIFIC BILLING
APPEARED IN LOA'S) THE COSTS OF SUCH SERVICES COULD BE
INDIVIDUALLY SPELLED OUT IN THE LETTER OF OFFER. IF
SULTAN DOESN'T APPROVE HE CAN TAKE THEM OUT. WE SHOULD
AVOID ANY PERCENTAGE ALLOCATION OF THE TOTAL AMOUNT OF
THE SALE THAT WOULD APPEAR TO SULTAN TO BE AN AGENT'S
COMMISSION IN DISGUISE.

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5. WITH REGARD TO THE INTERVAL BETWEEN SULTAN'S RECEIPT
OF ELLSWORTH'S LETTER OF MARCH 6 AND HIS REPLY OF MAY 17
WE HAVE NO WAY OF KNOWING FOR CERTAIN WHEN THE LETTER
ARRIVED (IT CAME VIA INTERNATIONAL MAIL) AND WHEN IT
FIRST CAME TO SULTAN'S ATTENTION. ACCORDINGLY, ALTHOUGH
WE MAY SUSPECT THERE IS A GOOD BIT OF SLIPPAGE BETWEEN
THE DATE HE RECEIVED THE ELLSWORTH LETTER AND THE DATE
OF HIS MAY 17 REPLY, WE CANNOT BE AS PRECISE AS WE MIGHT
WISH ABOUT THE TIME ELAPSED. IT WOULD SERVE NO PURPOSE
TO APPROACH SULTAN ON THE MATTER AND SUGGEST TO HIM THAT

HE MUST HAVE HAD THE ELLSWORTH LETTER LONG BEFORE THE
DATE OF HIS REPLY. WE SHOULD ALSO KEEP IN MIND THAT

PRINCE SULTAN IN MUCH OF MARCH AND APRIL WAS ABSENT ON
HIS ANNUAL DESERT "HUNTING" TRIP AND THAT ALL CONTACTS
WITH THE MINISTRY OF DEFENSE WERE WITH HIS LESS AUTHOR-

ITATIVE DEPUTY, PRINCE TURKI. AKINS UNQUOTE ROBINSON

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